MTREF BUDGET
2012/2013 to 2014/2015

Munisipaliteit UMJINDI Municipality

MP 323

UMJINDI LOCAL MUNICIPALITY

2012/13 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

EXECUTIVE SUMMARY

Core Business Area	Financial Services Directorate
Operational Area	Budget & Treasury Section

Owner: Umjindi Budget & Treasury Section
Client: Umjindi Local Municipality

Document Classification:
Public

DOCUMENT APPROVAL			
Position	Name	Signature	Approval Date
Mayor	L Mashaba		
Municipal Manager	S F Mnisi		
Chief Financial Officer	P Mpele		
Business Owner	C van der Westhuizen		

EFFECTIVE DATE: 1 JULY 2012

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1. PURPOSE

1.1 The purpose of the report is to table the Draft 2012/2013 Medium-Term Revenue and Expenditure Framework (MTREF) before Council in terms of Section 24(1) of the Local Government: Municipal Finance Management Act (MFMA), 2003 Act 56 of 2003, which states that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

2. BACKGROUND

2.1 The 2012/13 MTREF will be remembered for the tremendous challenges that the Municipality encountered during the compilation of the 2011/2012 MTREF due cash flow constraints and competing IDP priorities as well as institutional needs for betterment of working conditions for staff. Although the municipality receives a bad audit opinion, there have some improvements in the year the ended 30 June 2011 compare to the outer year that ended in 30 June 2010. There were more 18 financial issues in 30 June2010 that causes the disclaimer opinion as compares to only six matters for the year ended in 2011. Vigorously processes have put in place to address all financial matters raised in the audit report before end of June 2012, so far good progress has been observed.

2.2 The 2011/12 Adjustment Budget in January 2012 directly informed the compilation of the draft 2012/13 MTREF, aligned to the spirit of the MFMA, and more specifically the principle of multi-year budgeting.

2.3 The Ministry of Finance has issued new regulations prescribing the budget and reporting standards, including the formats for municipal budgets as required by the MFMA for the 2010/11 budget year that will continue for the 2012/13 budget year with amendments to the Reporting Schedules (Version 2.4)

2.4 The object of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of the municipalities and municipal entities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in budgeting and reporting processes of those institutions and other relevant matters as required by the Act

2.5 The DRAFT 2012/13 MTREF is now being tabled in Council for consideration and adoption according to the new prescribed format that come into effect during the 2010/2011 year (MFMA circular 54 option 2) and (MFMA Circular No 58 dated 14 December 2011).

2.6 The technical work on the budget will be completed to ensure that all corrections is being done and ready to be presented to the council for approving on 31 May 2012.

2.7 To implement the new regulations that came into effect 2010/2011 MTREF in the prescribed budget formats poses many challenges for the municipality. Not only has the budget formats changed drastically, it has also increased considerably in the amount of schedules, supporting tables and graphs to be completed and submitted. (Version 2.4).

2.8 A magnitude of statistical information was also added to the new formats of which the information should be obtained from various sources and is not readily available due to the financial system (Finstel) that reaches the end of its life span. The challenges have continued for the compilation of the 2012/13 MTREF, however there is great improvement in perfecting the application of the financial system.

2.9 A detailed assets management table has also been added to the required submissions which should be compiled in terms of the asset register which is still in the process of being refined.

2.10 A last addition to the regulations is a quality certificate that needs to be completed by the Accounting Officer, declaring that the budget and supporting documentation has been compiled in accordance with the MFMA.

2.11 According to the budget timetable schedule approved by Council in August 2011, the draft 2012/13 MTREF must be tabled before the Executive Mayor by 30 March 2012 to ensure a transparent, efficient and effective community consultation process to ensure that the final 2012/13 MTREF be approved end of May 2012.

2.12 The MSA, chapter 4 deals with community participation. With specific reference to the budget process, section 16(i) and (iv) stipulates that a municipality must encourage and create conditions for the local community to participate in the affairs of the municipality, including in the preparation, implementation and review of its Integrated Development Plan and the preparation of its budget.

2.13 Section 22 of the MFMA also stipulated that immediately after an annual budget is tabled in a municipal council the Accounting Officer must make public the annual budget and documents; invite the local community to submit representations in connection with the budget and submit the annual budget to the National Treasury and the relevant Provincial Treasury in printed and electronic formats.

2.14 Section 23(2) of the MFMA stipulates further that “after considering all budget submissions, the Council must give the Executive Mayor an opportunity-

2.14.1 To respond to the submissions; and

2.14.2 If necessary, to revise the budget and table amendments for consideration by Council.

2.15 The 2012/13 budget circular (The MFMA Circular 58) served before the council in February 2012 and council will have to note the contents of the circular.

3. BUDGET ASSUMPTIONS

3.1 Budgets are prepared in an environment of uncertainty and assumptions need to be made about internal and external factors that could impact on the budget during the course of the financial year.

3.2 In compiling the 2012/13 MTREF, the following issues and assumptions that already started during the very difficult 2011/2012 MTREF process were taken into consideration as the economic meltdown in 2010/11 continued in 2011 with the ripple effects in 2012 and still have a major effect on the budget planning process and outcomes:

3.2.1 Economic climate;
3.2.2 Poverty levels;
3.2.3 Inflation; and
3.2.4 Service delivery cost increases
3.2.5 Increased of staff costs and demands

3.3 Tariff and Property Rate increases (<u>that is unavoidable</u>) should be affordable and on line with the CPIX, however taking into account the need to address infrastructure requirements, as well as adjusting some tariff to make the costs of rendering the service to breakeven, therefore some tariff are more than the CPIX.

3.4 No budget will be allocated for capital projects unless the request is included in the IDP.

3.5 The disposal of municipal vacant land (Stands to be sold) will be included as anticipated revenue to be realized and form part of the budget. The council will have to provide in future for more stands to be made available to middle and high income groups that can afford payment for services and which will expand the revenue base of the municipality.

3.6 Operational costs will be maintained at current levels or reduced as cost curtailment measures.

3.7 The “Ring Fence” of specific allocations in the Equitable Share as received from National Treasury will not be done to departments except for electricity (NEP-Grant) where counter funding needs to be done to ensure that the grant transfer is secured but the conditional allocations (e.g. MIG and NEP) will be “Ring Fence” for implementation of projects.

3.8 Budget allocations for externally funded projects be maintained at approved levels.

3.9 Cash flow projections should be strictly maintained to ensure the municipality’s ability to meet its obligations.

3.10 It is assumed that Umjindi will share in the economic growth forecasted for the country during the State of the Nation address regarding infrastructure funding and particularly for Mpumalanga.

3.11 Most general expenditure budget items and the repairs and maintenance budgets have been increased by less than 6% to for the 2012/13 budget year.

3.12 The 2012/13 budget has included a price increase of 13% for bulk electricity purchases based on National Treasury’s guideline for electricity tariff increase as contemplated in the MFMA circular 58 & 59 and the National Treasury guideline and the Revision of Municipal Tariff Benchmarks dated 13 March 2012.

3.13 Employees salaries and contributions have not been increased in line with the MFMA Circular No 58 & 59 at 5% but a Provisional increase of 6% is budgeted for.

3.14 Increase for Councillors allowances has been allowed for in the 2012/13 budget in line with the Remuneration of Public Office Bearers Act (No. 20 of 1998).

3.15 The budget makes provision for ±2000 indigent household to be registered, approved and receiving free basic services in 2012/13.

3.16 This budget does not make provision for Council to enter into any new loans for capital funding purposes.

3.17 Provision for non-receipt of billed income has been made in the budget (this is called the working capital budget). It is assumed that of the total income budget 89% will be received as actual income. Collection rate currently varies between 71% and 85%.

3.18 The Equitable Share, Finance Management Grant, Municipal System Improvement Grant, National Electrification Programme Grant and EPWP Incentive Grant where determined in line with the 2012/13 Division of Revenue Bill (Government Gazette No. 35022 of 7 February 2012).

4. BUDGET HIGHLIGHTS

4.1 An amount of R4, 046 million has been budgeted for the indigent household subsidization

4.2 An amount of R2, 684 million has been budgeted for free basic services to other residents (6Kl Water to all residential consumers).

4.3 An amount of R39, 955 million has been budgeted for infrastructure and institutional development (MIG=R26, 155 Million and NEP=R10, 400 million plus Equitable share counter funding of R3, 400 million).

4.4 The envisaged sources of funding for the Capital Budget must be properly considered and the Council is satisfied that this funding is available and has not been committed for other purposes.

5. OPERATING BUDGET

5.1 The following table represents the 2012/13 MTREF as informed by the 2011/12 Adjustment Budget, Integrated Development Plan and various other best practice methodologies e.g. Balanced budget constraint, affordability of services to the community within the context of sustainability.

DESCRIPTION	BUDGET 2012/13	% OF BUDGET
Operating Revenue by GFS Vote		
Council(Executive Mayor and councillors)	2 515 149	1
Financial Services	68 496 663	33
Corporate Services	4 060	0.1
Community Services	1 275 393	1
Developmental Planning & Housing	6 538 971	3
Waste Management	11 065 522	6
Waste Water Management	5 465 514	3
Roads Transport	2 793 726	1
Water	21 379 646	11
Electricity	74 660 477	40
TOTAL OPERATING REVENUE	194 193 122	100
Operating Expenditure by GFS Vote		
Council(Executive Mayor and councillors)	16 539 810	7
Financial Services	63 956 583	29
Corporate Services	7 402 993	3
Community Services	15 352 452	5
Developmental Planning & Housing	12 012 883	7
Waste Management	9 728 163	4
Waste Water Management	3 180 527	2
Roads Transport	12 027 728	5
Water	10 301 259	5
Electricity	71 886 573	32
TOTAL OPERATING EXPENDITURE	222 388 970	100
SURPLUS / (DEFICIT)	-30 268 148	

5.2 The deficit of – R 30 141 does include non-cash items for asset depreciation of R30 185.

5.3 Departments utilised the month of December 2011 (year-to-date figures) to capture detail budget proposal. The budget proposals were analysed during various management (budget) meetings which took place during February / March 2012.

5.4 Departments were given the opportunity to refine their budget proposals in line with the budget principles and availability of revenue.

5.5 These sessions did not only focus on expenditure, but revenue generation potential within the context of improved service delivery, operational efficiencies and potential gains

6. EXTERNAL FUNDS (GRANTS) - DoRA

6.1 With the promulgation of the 2012 Division of Revenue bill in February 2012, the following operational and capital allocations towards the municipality have been factored into the MTREF.

DESCRIPTION	BUDGET 2011/12	BUDGET 2012/13	INCREASE/ (DECREASE) %
MIG	22 407 000	27 245 000	18
INEP	12 783 750	10 400 000	-23
FMG	1 250 000	1 500 000	17
MSIG	790 000	800 000	1
EPWP Incentive	536 000	1 493 000	64
Equitable Share	42 081 000	45 152 000	7
World Heritage	0	0	0
TOTAL GRANTS	79 847 750	86 590 000	7

6.2 The table below illustrates how the above grants have been allocated to the various projects in the 2012/13 budget year:

DECDRIPTION	EXPENDITURE
MUNICIPAL INFRASTRUCTURE GRANT (MIG)	
Water- AC pipes with PVC (Phase 5)	8 000 000
Bulk water supply- KaMadakwa-Ndlovu and Emjindini Trust (Galaxy Gold Mine)	2 432 000
Roads & Storm water	10 000 000
Remedial work: Lomati dam	4 362 000
Sport infrastructure development	1 362 000
PMU	1 089 000
TOTAL	27 245 000

INTERGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP)	
Kamadakwa-Ndlovu (Phase1-200 houses)	2 200 000
Sheba siding (Phase 1-290 houses)	3 200 000
Bulk Supply and Substation eMjindini Trust (Phase1)	5 000 000
Sub-Total INEP grant funding	10 400 000
Sub-Total Equitable share counter funding	3 400 000
TOTAL	13 800 000
MUNICIPAL SYSTEMS INPROVEMENT GRANT (MSIG)	
Valuation roll	300 000
Ward Committee activities (cell phone airtime)	250 000
Correction of asset register	250 000
TOTAL	800 000

FINANCE MANAGEMENT GRANT (FMG)	
CPMD Training	400 000
Appointment of 3 Finance Interns	500 000
Compilation of Annual financial Statements (Case Ware Program updates)	300 000
Internal Financial Management Workshops (SEBATA Financial Training/GRAP)	300 000
TOTAL	1 500 000

EQUITABLE SHARE	
Councillors Allowances	2 192 000
Free Basic Services to all residents(Water 6Kl)	2 684 000
Subsidy for Indigent households	4 046 000
Pre-paid services (Cell phone connections)	5 000
Indigent registration process – temps & advert	100 000
Ward committee meetings	20 000
Provision of free alternative energy–Sheba Siding	650 000
Provision of free basic service to farms bordering municipal boundary – ESKOM	2 000
Capital Projects counter funding: Electricity	3 400 000
Operational Budget support	32 053 000
TOTAL	45 152 000
EPWP INCENTIVE GRANT	
Labour intensive projects	1 493 000
TOTAL	1 493 000

7. CAPITAL BUDGET

7.1 The following table indicates the 2012/2013 Medium-term Capital Budget per Department and funding source.

DEPARTMENT	PROJECT	INTERNAL FUNDS	EXTERNAL FUNDS	TOTAL
CIVIL SERVICES				
MIG	Bulk water-Emjindini Trust/ Kamadakwa –Ndlovu –project completion		2 432 000	2 431 000
	AC pipes (Phase 5)New Village, White City, all streets below Sheba road, and streets between Bland- and Van der Merwe Streets		8 000 000	8 000 000
	Remedial work Lomati dam		4 362 000	4 361 000
	Roads and Storm Water		10 000 000	10 000 000
	Top 3 priorities: - Road and Storm water for Ext 9 (main road) - Road and Storm water for Spearville linked lower Dindela, New village (3 streets), lower part of Spearville (behind Dr. Dlamini Surgery via Mkhize Park going down, 5 streets to be prioritised over the period of 2 years) and - Main road and stormwater for Verulam.			
	Sport infrastructure		1 362 000	1 362 000
	PMU (Not Capital)			1 089 000
	Bulk sewer line: Dikbas	1 000 000		1 000 000
	Bulk water meters	250 000		250 000
TOTAL		1 250 000	26 156 000	27 406 000

ELECTRICAL SERVICES				
INEP	Kamadakwa-Ndlovu (Phase1-200H)		2 200 000	2 200 000
	Sheba Siding (Phase1-290H)		3 200 000	3 200 000
	Bulk Supply eMjindini Trust		5 000 000	5 000 000
	Flash suites electricians	35 000		35 000
	Tools for workshop	34 000		34 000
	Furniture for workshop	6 000		6 000
	TOTAL DME grant funding	75 000	10 400 000	10 475 000
	TOTAL Equitable share counter funding (Electricity)		3 400 000	3 400 000
COMMUNITY SERVICES				
	1 x Tractor	240 000		240 000
	3 x Kudu grass cutters	90 000		90 000
	Machinery & equipment testing ground (Traffic)	130 000		130 000
	Fire brigade suites (3)	42 000		42 000
	Enclosed shelters cemetery	20 000		20 000
	Renovate swimming pool-Cathyville	80 000		80 000
TOTAL		602 000		602 000
MUNICIPAL MANAGER, COMMUNITY ,CORPORATE SERVICES AND DEVELOPMENT PLANNING				
	Office furniture and computer equipment	115 300		115 300
TOTAL		115 300		115 300
TOTAL CAPEX		2 072 300	41 045 000	43 267 300

7.2 The total draft capital budget currently equates to R43 267 million.

7.3 Departments have to take into account their capacity to spend the requested budgets against the allocated projects in order to ensure implementation and provision of services delivery.

8. REVENUE FRAMEWORK

8.1 In order to serve the community and to render the services needed, revenue generation is fundamental to financial sustainability of every municipality

8.2 The reality is that we are faced with developmental backlogs and poverty, challenging our revenue generation capacity. The requests always exceed the available funds. This was even more obvious when compiling the 2012/2013 MTREF.

8.3 Municipalities must table a balanced and more credible budget, based on realistic estimation of revenue that is consistent with their budgetary resources and collection experience.

8.4 The revenue strategy is a function of key components such as:

8.4.1 Growth in town and economic development;
8.4.2 Revenue enhancement;
8.4.3 Achievement of 90% annualized collection rate for consumer revenue;
8.4.4 National Treasury guidelines;
8.4.5 Electricity tariff increases within National Electrification Regulator of South Africa (NERSA) approval;
8.4.6 Approval of full cost recovery of specific department;
8.4.7 Determining tariff escalation rate by establishing/calculating revenue requirement; and
8.4.8 Ensuring ability to extent new services and recovering of costs thereof.

8.5 The following table is a high level summary of the 2012/2013 MTREF (Classified per main revenue source).

8.6 Increase revenue base through providing stands to be sold to middle and high income earners and commercial who can afford to pay for municipal services.

DESCRIPTION	APPROVED BUDGET 2011/12	ADJUSTMENT BUDGET 2011/12	BUDGET YEAR 2012/13	% INCREASE / (DECREASE)	BUDGET YEAR 2013/14	BUDGET YEAR 2014/15
Operating Revenue by Source				%		
Property rates	18 052 000	18 052 000	20 776 000	13	22 023 000	23 244 000
Electricity	62 830 000	62 830 000	71 079 000	12	75 343 000	79 865 000
Water	19 119 000	19 119 000	20 266 000	6	21 481 000	22 771 000
Sanitation	5 137 000	5 137 000	5 445 000	6	5 782 000	6 118 000
Refuse Removal	6 649 000	6 649 000	11 039 000	40	11 702 000	13 404 000
Grants	25 708 000	25 708 000	50 104 000	49	55 990 000	54 456 000
Interest & Inv Inc	550 000	550 000	500 000	-10	530 000	561 000
Rent of facilities	1 323 000	1 323 000	1 229 000	-8	1 303 0000	1 382 000
Interest on O/S debt	2 660 000	2 660 000	2 100 000	-27	2 226 000	2 359 000
Traffic fines	231 000	231 000	301 000	23	318 000	337 000
Fines	2 000	2 000	4 000	50	4 000	5 000
Licenses and permits	2 000	2 000	3 000	33	3 000	3 000
Other (Miscellaneous)	20 494 000	14 494 000	7 731 000	-87	5 469 000	4 883 000
TOTAL OPERATING REVENUE	162 757 000	156 757 000	194 193 000	18	202 944 000	216 567 000

9. TARIFF SETTING

9.1 Umjindi Municipality derives its revenue from the provision of services such as electricity, water, sanitation and refuse removal. A considerable portion of the revenue is also derived from property rates and grants by national governments as well as other minor charges such as traffic fines.

9.2 Tariff increases are primarily driven by the Consumer Price Index (CPIX). It is due to circumstances not possible to, as in the past, follow the CPIX in the tariff setting for the 2012/2013 MTREF. All the tariffs have been increased by a percentage of 6% if not indicated on attached schedule to this document.

9.3 It is realised that the ability of the community to pay for services rendered is also under tremendous pressure and that the economic outlook for the near future require everybody to make sacrifices.

9.4 The additional revenue that will be generated through tariff increased has to ensure continued service delivery.

9.5 Tariff increases were therefore calculated at 6% with regards to the main services, with the exception of electricity and refuse removal. This owing to the special circumstance regarding power security in South Africa and the losses currently being incurred on refuse removal.

9.6 The tariff structure of refuse removal for industrial and business has been changed to cover the costs of the service rendered, hence the high percentage increased in the projected revenue.

9.7 By drastically increasing tariffs on essential commodities, more strain will be added for the already cash stripped resident households

9.8 Increases beyond the 6% included in the draft MTREF will only add to bad debt which is already high and a decline in the cash flow

9.9 The outcome of the increases in tariffs (Revenue) on different revenue categories is as follows:

DETAILS	2012/13 PROPOSED TARIFF INCREASE	2012/13 TOTAL BUDGETED REVENUE
Property Rates	6%	20 776 000
Electricity	11.03%	71 079 000
Water	6%	20 266 000
Sanitation	6%	5 445 000
Refuse Removal	Total new tariff structure	11 039 000
TOTAL		128 605 000

9.10 Property Rates

9.10.1 Property rates cover the shortfall on the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeted process.

9.10.2 The total revenue expected to be generated from rendering this service amounts to R20 776 million for the 2012/2013 financial year.

9.10.3 The categories of rate-able properties for purposes of levying rates and the proposed rates that increases with 6% are as follows:

CATEGORY	CURRENT TARIFF 2011/12 (No VAT)	PROPOSED TARIFF 2012/13 (No VAT)
	C	C
Residential	0.00968	0.01026
Business & Commercial	0.01935	0.02051
Industrial	0.01935	0.02051
State owned residential	0.00968	0.01026
State owned non-residential	0.00968	0.01026
Agricultural residential	0.00968	0.01026
Agricultural non-residential (Land solely for farming)	0.00968	0.01026
Agricultural non-residential (Business)	0.00968	0.01026
Agricultural vacant land	0.00484	0.00513
All non-agricultural land	0.00484	0.00513
All non-permitted use	0.00484	0.00513

9.11 Water

9.11.1 A 6% increase in water tariffs applicable to the residents of Umjindi is proposed

9.11.2 The total revenue expected to be generated from rendering this service amounts to R20 226 million for the 2012/2013 financial year.

9.11.3 A summary of the proposed tariffs (**VAT EXCLUDED**) for households (residential) and non-residential are as follows:

CATEGORY	CURRENT TARIFFS 2011/12 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Including VAT
	Per Kl R	Per Kl R	
Monthly Basic Charge per Category			
Residential 0 – 6 kl Approved indigents Free)	34.24	36.29	41.37
Residential: Town Developed & Churches	34.24	36.29	41.37
Residential: Emjindini Developed & Churches	31.05	32.91	37.52
Residential: Undeveloped	63.41	67.22	76.63
Business	63.41	67.22	76.63
Prison farm	92 402.06	97946.18	111 658.64
Purified Water per Month			
Residential Consumer 0 – 6 kl	Free	Free	Free
All consumers 7 kl – 25 kl	4.88	5.17	5.90
26 kl – 35 kl	5.55	5.88	6.70
36 kl and above	5.57	5.90	6.73
Unpurified Water to Industries and Crocodile Farm			
First 500 kl or part thereof	448.09	474.98	541.47
Above 500 kl	1,58	1.68	1.91

CATEGORY	CURRENT TARIFFS 2011/12 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Including VAT)
New Connection Charges			
	Cost + 15%		
Testing of Meter			
Where meter show an error of less than 2,5%	120.79	128.03	146.96
Where meter show an error of more than 2,5%	N/C	N/C	N/C
Water Connection			
Water connection	1 280.35	1 357.17	1 547.17
Poverty (Indigent) tariff (A281/2005)	407.05	431.47	491.88
PENALTIES: TEMPERING WITH WATER METERS (RECONNECTION FEE)			
Domestic Consumers (Pre-paid & Conventional)			
FIRST OFFENCE			
Without damage to installation	1 219.73	2 500.00	2850.00
With damage to installation	1 954.24	3 000.00	3420.00
SECOND OFFENCE	1 954.24	5 000.00	5700.00
THIRD OFFENCE			
Legal action and removal of meter			

SELF – RECONNECTION			
When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tempered with; and • Meter by-passed by customer			
If customers readings, differs from those taken when he/she was cut-off, such customer be declared self-reconnected and the following fine be imposed upon him/her and the installation be removed	2 296.80	5 000.00	

CATEGORY	CURRENT TARIFFS 2011/12 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Including VAT)
BUSINESS CONSUMERS AND LARGE WATER USERS			
FIRST OFFENCE			
Plus an estimated cost for loss of income during the period when the meter was tempered with	4 287.37	5 000.00	5700.00
SECOND OFFENCE			
Legal action and removal of meter			
The occupier/owner of the property be held liable for any tempering with any meter on his/her property			

9.11 Refuse Removal

9.11.1 Currently refuse removal is operating at a loss. In normal practice terms, the rendering of this service should at least break-even, which is currently not the case. Umjindi will have to implement a strategy to ensure that this service can be rendered in a sustainable manner over the long-to-medium-term and therefore is the amended tariff structure being proposed.

9.11.2 The total revenue expected to be generated from rendering this service amounts R11 039 million for the 2012/2013 financial year.

9.11.3 The following table indicates a comparison between current and proposed amounts payable from 1 July 2012 (VAT EXCLUDED)

CATEGORY	CURRENT TARIFFS 2011/12 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Including VAT)
	R	R	
Once per Week			
Residential once per week	65.00	70.00	79.80
Daily Removal – Business			
Food Premises & Other:1st Bin	210.00	700.00 *(New)	798.00
2nd Bin	150.00	Nil	Nil
Spaza Shops* (New)		175.44	200.00
General Businesses *(New)		480.00	547.20
Institutional, Whole sale, Industrial* (New)		3 800.00	4 332.00
Centres (Jock, Eureka, Lomati)* (New)		14 000.00	15 960.00
Town Prison –twice per week *(New)		14 000.00	15 960.00
Hospitals, SANTA –twice per week * (New)		14 000.00	15 960.00
Prison Farm -twice per week *(New)		22 000.00	25080.00

OTHER REMOVALS	CURRENT TARIFFS 2011/12 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Including VAT)
Special removals 6 per m^3	673.21	713.60	813.51
Bulk containers/Bins (Business)	238.38	252.68	288.05
Rental of Bulk containers/Bins (Maximum 3 days)	280.36	297.18	338.78
Unsound foodstuff per removal	725.14	768.65	876.26
Cleaning of Erven per m^2	1.24	1.31	1.49

9.12 Sanitation

9.12.1 The tariff is proposed to be increased by 6% from 1 July 2012

9.12.2 The total revenue expected to be generated from rendering this service amounts to R5 445 million for the 2012/2013 financial year.

9.12.3 The following table indicate the proposed tariffs (VAT EXCLUDED) to be implemented with effect from 1 July 2012:

CATEGORY	CURRENT TARIFFS 2011/12 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Including VAT)
	R	R	
Private Residential Purposes			
For every $100m^2$ or portion thereof	5,44	5.77	6.57
Maximum	106.00	112.35	128.08
Prisons			
For every $100m^2$ or portion thereof	5,44	5.77	6.57
Maximum	2 476.13	2 624.70	2992.16

CATEGORY	CURRENT TARIFFS 2011/12 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Including VAT)
Other Land			
For every 100m^2 or portion thereof	5.44	5.77	6.57
Maximum	1 485.68	1 578.82	1 795.30
Domestic Sewerage			
Per water closet pan, urinal or compartment	16.13	17.09	19.49
Connection Fees			
Non-Residential (e.g Industrial, Businesses)	Cost + 15%	Cost + 15%	Cost + 15%
Sewerage Connection Fees			
Sewerage connection fees	1 111 24	1 177.91	1 342.82
Poverty (Indigent) tariff	529.65	561.43	640.03
Self-Connection / Illegal Connection Fees			
When a resident, business has illegally connected him/herself to the sewerage network			
Residential	1 500.00	1 590.00	1 812.60
Business	3 000.00	3 180.00	3 625.20
Sewerage Blockages Private Properties	No service	No service	No service

9.13 Electricity

9.13.1 The tariff is proposed to be changed according to NERSA guidelines regarding the implementation of the block tariffs as from 1 July 2012.

9.13.2 The current proposed electricity tariff increases for the 2012/13 MTREF is approved during the mayoral meeting in February.

9.13.3 The total revenue expected to be generated from rendering this service amounts to R71 079 million for the 2012/2013 financial year.

9.13.4 Only residents of Umjindi who are registered indigent household will continue to get the 50 kWh per month free of charge.

9.13.5 The following table indicates the proposed electricity charges (VAT EXCLUDED) for the 2012/13 financial year.

CATEGORY	CURRENT TARIFFS 2011/12 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2012/13 (Including VAT)
	R	R	
DOMESTIC (HOUSEHOLD, FLATS, GUEST HOUSES, CHURCHES & SCHOOLS WITHOUT KVA AND AGRICULTURAL HOLDINGS)			
Domestic Basic Charge			
Domestic with no consumption for 30 days and longer	150.00	166.50	189.81
Residential	150.00	166.50	189.81
Domestic Energy Charge of Electricity (Block tariff)			
Conventional 0 – 50 units Block 1	0.650	0.660	0.753
Conventional 51 – 351 units Block 2	0.750	0.820	0.935
Conventional 351 – 600 units Block 3	0.970	1.075	1.226
Conventional 601 – above Block 4	1.140	1.268	1.446
Pre-paid Domestic 0 -50 units Block 1	0.630	0.660	0.753
Pre-paid Domestic 51 -350 units Block 2	0.710	0.810	0.924
Pre-paid Domestic 351 -600 units Block 3	0.950	1.060	1.209
Pre-paid Domestic 600 and above Block 4	1.140	1.280	1.460

COMMERCIAL (MUNICIPAL , BUSINESS ETC)			
Basic Charge (conventional)			
Three phase (including vacant stand)	760.00	843.00	961.02
Single phase (including vacant stand)	665.00	740.00	843.60
Energy Charge of Electricity			
Charge per unit	0,880	0.925	1.055
Business consumption (Pre-paid)	1.025	1.300	1.482
INDUSTRIAL (MUNCIPAL, BUSINESS, SCHOOLS WITH KVA ECT)			
Low Voltage 400 V (Demand Scale)			
Metered KVA	115.00	138.00	157.32
Charge per unit	0.536	0.980	1.118
Basic charge (including vacant stands)	977.00	1 085.00	1 236.90
Time of use			
Peak	2.550	2.550	2.907
Standard	0.536	0.595	0.679
Off-peak	0.362	0.402	0.459
KVA 11000V			
Metered KVA	114.00	126.00	143.64
Charge per unit	0.420	0.900	1.026
Basic charge (including vacant stand)	977.00	1 085.00	1 236.90
Time of use			
Basic charge	977.00	1 085.00	1 236.90
Demand charge per kVA (30 min periods)			
Energy charges			
Peak			
High Demand (June – August)	1.58	1.754	2.000
Low Demand (September – May)	0.506	0.562	0.641
Standard			
High Demand (June – August)	0.482	0.535	0.610
Low Demand (September – May)	0.343	0.381	0.435

Off-peak			
High Demand (June – August)	0.268	0.298	0.340
Low Demand (September – May)	0.235	0.261	0.298
CONNECTION CHARGES AND OTHER MAINTENANCE			
Single phase pre-paid meter	4 950.00	4 950.00	5 643.00
Single phase conventional meter	4 617.00	4 875.00	5 557.50
Single phase pre-paid meter (Poverty)Indigent	1 485.00	1 485.00	1 692.90
Three phase pre-paid meter	8 250.00	8 250.00	9 405.00
Three phase conventional meter	8 005.00	8 005.00	9 125.70
Change conventional to pre-paid meter (single phase)	812.00	812.00	925.80
Change conventional to pre-paid meter (three phase)	4092.00	1 660.00	1 892.40
Change pre-paid to conventional (Single phase)	842.00	842.00	959.88
Change pre-paid to conventional (Three phase)	1 660.00	1 660.00	1 892.40
PENALTIES: TEMPERING WITH ELECTRICITY METERS			
Domestic Consumer (Pre-paid & Conventional)			
First Offence			
Without damage to installation	1 950.00	2 500.00	2 850.00
With damage to installation	2 850.00	3 200.00	3 648.00
Second Offence			
	3 650.00	3 650.00	4 161.00
Third Offence			
Legal action and removal of meter			

SELF – RECONNECTION			
When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tempered with; and • Meter by-passed by customer			
If customers readings, differs from those taken when he/she was cut-off, such customer be declared self-reconnected and the following fine be imposed upon him/her and the installation be removed	2 350.00	2 500.00	2 850.00
Business Consumers and Large Power users			
FIRST OFFENCE			
Plus an estimated cost for loss of income during the period when the meter was tempered with	6 200.00	6 200.00	7 068.00
SECOND OFFENCE			
Legal action and removal of meter			
The occupier/owner of the property be held liable for any tempering with any meter on his/her property			
Testing of Meters (Section 9(1) of By Laws)	850.00	1 050.00	1 197.00
Attendance to complaint other than fault in council's supply or equipment (per call)	295.00	350.00	399.00
Testing of electrical installation (Section 16(8)b of By-Laws) – 0n request of consumer	450.00	450.00	513.00
Replacement of tariff circuit breakers with			
Higher circuit breaker per phase	350.00	350.00	399.00
Lower circuit breaker per phase	3 500.00	3 500.00	3 990.00

Consumer is of the opinion tariff circuit breaker to current value that its rating			
Tariff	285.00	350.00	399.00
Per circuit breaker	130.00	180.00	205.20
(These costs are refundable at non-compliance)			
After a tariff circuit breaker has been tested, the Engineer's finding as to the tariff circuit breaker's compliance with the provisions of these By-Laws shall be final and a tariff circuit breaker shall be regarded as complying with the provisions of these By-Laws if the test proves that it does not trip within 30 minutes when it passes a steady current of 5% below its rating			
Aggregate of units determined by Council Engineer			
Testing/fault finding on electrical cables			
First 2 hours	1 150.00	1 250.00	1 425.00
Every hour thereafter	420.00	450.00	513.00
Plus: Travel cost	Actual cost	Actual cost	Actual cost
Tariff classification			
In the event of a dispute regarding the tariff under which a consumer is classified, Council's decision shall be final			

9.14 Other tariffs

9.14.1 Cemetery

Tariffs increase of 10%

001 Cemetery Including VAT	2011/12	2012/2013	2011/2012	2012/2013
	Within	Within	VAT	Total
Indigents				
Adult	199.66	192.65	26.97	219.62
Child and Stillborn (0 - 12 Years)	110.16	106.29	14.88	121.18
All Others				
Adult	557.68	538.11	75.34	613.44
Child and Stillborn (0 - 12 Years)	275.39	265.73	37.20	302.93
Wall of Remembrance				
Single Niche	158.35	152.79	21.39	174.18
Double Niche	337.36	325.52	45.57	371.09
Reservations' of graves and niches				
Grave	110.16	106.29	14.88	121.18
Niche	35.80	34.54	4.84	39.38
Widening or deepening graves	234.08	225.87	31.62	257.49
Curbstone decorations/applications	68.85	66.43	9.30	75.73
Exhumation of a body	612.75	591.25	82.78	674.03

001 Cemetery Including VAT	2011/2012	2012/2013	2011/2012	2012/2013
	Outside	Outside	VAT	Total
Indigents				
Adult	245.10	227.90	31.91	259.81
Child and Stillborn (0 - 12 Years)	122.55	113.95	15.95	129.90
All Others				
Adult	1 129.11	1049.88	146.98	1 196.86
Child and Stillborn (0 - 12 Years)	564.56	524.94	73.49	598.44
Wall of Remembrance				
Single Niche	314.05	332.89	46.61	379.50
Double Niche	634.13	672.18	94.11	766.28
Reservations' of graves and niches				
Grave	205.34	217.66	30.47	248.13
Niche	66.44	70.42	9.86	
Widening or deepening graves	205.34	225.87	31.62	257.49
Curbstone decorations/applications	60.39	66.43	9.36	75.73
Exhumation of a body	537.50	591.25	82.78	674.03

9.14.2 The shortfall owing to all these other tariffs not always covering costs is funded through the property rates.

9.15 Equitable Share

9.15.1 The Equitable share allocation to the local sphere of government is an important supplement to existing municipal revenue and takes account of the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in municipalities.

9.15.2 It is an unconditional grant and allocations are contained in the Division of Revenue Act (DORA).

9.15.3 A municipality should prioritize its budget towards poor households and national priorities such as free basic services and the expanded public works programme.

9.15.4 In terms of the DoRA (Division of Revenue act), the allocation towards Umjindi for 2012/2013 is R45 152 million for the financial year.

10. EXEPENDITURE FRAMEWORK

10.1 Some of the salient features and best practice methodologies relating to expenditure include the following:

10.1.1 Asset renewal strategy (infrastructure repairs and maintenance a priority)

10.1.2 Balanced budget constraint (expenditure cannot exceed revenue)

10.1.3 Capital programme aligned to asset renewal strategy

10.1.4 Operational gains and efficiencies resulting in additional funding capacity on the capital programme as well as redirection of funding to other critical areas, and

10.2 The following table is a high level summary of the draft 2012/13 Medium-Term Expenditure Framework (Classified per main category of expenditure).

DESCRIPTION	APPROVED BUDGET 2011/12	ADJUSTMENT BUDGET 2011/12	BUDGET YEAR 2012/13	% INCREASE / (DECREASE)	BUDGET YEAR 2013/14	BUDGET YEAR 2014/15
Operating Expenditure by Type					R000	R000
Employee related costs	58 554 000	58 554 000	62 290 000	6%	66 028	69 709
Remuneration of Councillors	5 576 000	5 576 000	6 022 000	7%	6 383	6 765
Electricity bulk purchases	48 820 000	48 820 000	60 650 000	20%	73 993	88 051
Depreciation & Impairment	55 000 000	55 000 000	30 000 000	-83%	31 800	41 753
Repair and Maintenance	6 708 000	6 708 000	8 341 000	20%	8 887	9 369
General expenses	41 893 000	41 893 000	53 412 000	22%	49 792	52 861
TOTAL OPERATING EXPE	216 551 000	216 551 000	222 388	2%	238 870	262 998

10.3 The total expenditure for the 2012/2013 year has increased by 15% against the 2011/12 adjustment budget if the depreciation of assets is not taken in consideration which decreased from R 55 million to R 30 million.

10.4 In terms of the projected R 68 312 million for the 2012/2013 financial year, indicative salary increases have been included and represents 30% of the total operating expenditure budget.

10.5 The cost associated with the remuneration of councillors is determined and informed directly by way of the Remuneration of Public Office Bearers Act 1998 (Act No. 20 of 1998).

10.6 Aligned to the best practice methodology of preserving and maintaining current infrastructure, the expenditure framework has essentially catered for infrastructure maintenance.

10.7 Compared to the 2011/12 adjustment budget, the repairs and maintenance for the 2012/2013 year has increased by 20% from R 6, 7 million to R 8,3 million.

10.8 Compared to the 2011/12 adjustment budget, the bulk electricity purchase for the 2012/2013 year has increased by 20% from R48, 2 million to R 60, 6 million.

10.9 General expenditure comprises of services, administration and general related expenditure. The general expenditure did increase with 22% from R 41 893 million on the adjustment budget for 2011/12 to R 53 412 million for the 2012/2013 MTREF.

10.10 The number of households in informal areas that receives free services and the cost of these services (e.g. Delivery of water in rural areas) are not taken into account in the table above but have increased tremendously including the costs of rendered water to these households.

10.11 Revenue estimated to be foregone with regards to property rates rebate is R 504 000 for the 2012/13 financial year.

10.12 The cost (revenue forgone) of the social package of the registered indigent household is off-set by the equitable share received in terms of the DoRa (Division of Revenue Act).

12. CONCLUSION

12.1 Although the Municipality in its entirety faces many financial and non-financial challenges, the continued improvement and development of an effective financial planning process aids the actualization of fulfilling its facilitating role to capacitate the community to build a prosperous future for all.

12.2 The 2012/2013 MTREF contains realistic and credible revenue and expenditure proposals which should provide sound basis for improved financial management and institutional development as well as service delivery improvement and implementation.

12.3 The public participation and consultation process will have to take place in April - May 2012 regarding the community input on the draft MTREF for 2012/2013

13. RECOMMENDATION

13.1 That in terms of Section 24 of the Municipal Finance Management Act, (Act 56 of 2003), the annual budget of the municipality for the financial year 2012/2013, and indicative allocations for the two projected outer years 2013/2014 and 2014/2015, and the multi-year and single year capital appropriations are approved as set out in the following tables:

13.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2.

13.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3.

13.1.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4.

13.1.4 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.

13.2 That the financial position, cash flow, cash-backed reserves/accumulated surplus, asset management and basic service delivery target are adopted as set out in the following tables:

13.2.1 Budgeted Financial Position as contained in Table A6.

13.2.2 Budgeted Cash Flows as contained in Table A7.

13.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8.

13.2.4 Asset Management as contained in Table A9.

13.2.5 Basic Service Delivery measurements as contained in Table A10.

13.3 That in terms of Section 75A of the Local Government: Municipal Systems Act, Act 32 of 2000, the tariffs for Property Rates, Electricity, Water, Sanitation as well as refuse removal as set out in Annexure A, B, C, D and E respectively, be approved with effect from 1 July 2012.

13.4 That in terms of Section 75A of the Local Government: Municipal Systems Act, Act 32 of 2000, the tariffs for other services, as set out in Annexure F1 to F12 respectively, be approved with effect from 1 July 2012.

13.5 That the proposed electricity tariff increase is subject to approval by NERSA and will be effective as from 1 July 2012.

13.6 That all budget related policies, reviewed and amended be approved and applicable with effect from 1 July 2012.

13.7 That the Service Delivery and Budget Implementation Plans be approved and implemented with effect from 1 July 2012.

13.8 The amount of R100 000. Will be set aside for youth development programme as well as R300 000 for LED initiatives before concluding the budget.